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May 17, 2002

**Via Messenger/E-File**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station – 2<sup>nd</sup> Floor  
Boston, MA 02110

**Re: Boston Edison Company  
D.T.E. 01-78**

Dear Secretary Cottrell:

Enclosed for filing in the above-reference proceeding is Boston Edison Company's supplemental response to the Department of Telecommunications and Energy's Information Request DTE-1-1 in the above-referenced matter.

If there are any questions regarding this submittal, please contact the undersigned. Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in cursive script that reads "John Cope-Flanagan".

Enclosures

cc: William H. Stevens, Hearing Officer  
Mark Barrett, Rates and Revenues Requirements Division  
Claude Francisco, Rates and Revenue Requirements Division  
Barry Perlmutter, Electric Power Division  
Sean Hanley, Rates and Revenue Requirements Division  
Service List – D.T.E. 01-78

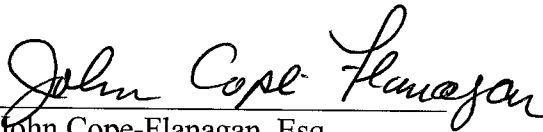
**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Boston Edison Company  
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D.T.E. 01-78

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing responses to information requests in accordance with Department rules.



John Cope-Flanagan, Esq.  
Attorney for  
Boston Edison Company  
d/b/a NSTAR Electric Company  
Legal Department, Floor 17  
800 Boylston Street  
Boston, MA 02199

DATED: May 17, 2002

Information Request DTE-1-1

Please list the FERC approved tariffs under which BECo receives transmission service on behalf of its customers. For each tariff listed provide: (a) a copy of the tariff, (b) a description of the services provided under the tariff, and (c) the expenses billed to BECo under the tariff for calendar year 2001.

Response

The FERC approved Tariffs under which Boston Edison receives transmission service on behalf of its customers are listed as follows:

- 1) Boston Edison Open Access Transmission Tariff
- 2) NEPOOL Open Access Transmission Tariff
- 3) ISO-NE Tariff

1a) Attachment DTE-1-1 is a copy of the Boston Edison's Open Access Transmission Tariff.

1b) Generally, the Boston Edison Open Access Transmission Tariff provides for Local Network Integration Service, Point-to-Point Transmission service, Transmission service over High Voltage Direct Current Facilities (HVDC), and Scheduling, System Control and Dispatch Service. A fully detailed description of these services is provided within the Tariff.

1c) The transmission expenses billed to Boston Edison under the Boston Edison Open Access Transmission Tariff for the calendar year 2001 is provided in Exh. BEC-BKR-3 (supp). Please refer to the response to Information Request DTE -1-9 for a detailed explanation of the expenses billed under the Tariff.

2a) A copy of the NEPOOL Open Access Transmission Tariff can be obtained from the ISO New England website. The URL address is [http://www.iso-ne.com/FERC/filings/Index\\_NOATT.html](http://www.iso-ne.com/FERC/filings/Index_NOATT.html).

2b) Generally, the NEPOOL Tariff provides for Regional Network Service, Through or Out Service, Congestion Management Services, an Uplift charge with respect to excepted transactions, and certain Ancillary Services to maintain reliability. A fully detailed description of these services is provided within the Tariff.

- 2c) The transmission expenses billed to Boston Edison under the NEPOOL Open Access Transmission Tariff for the calendar year 2001 is provided in Exh. BEC-BKR-3 (supp). Please refer to the response to Information Request DTE -1-9 for a detailed explanation of the expenses billed under the Tariff.
- 3a) A copy of the ISO-NE Tariff can be obtained from the ISO New England website. The URL address is:  
[http://www.iso-ne.com/FERC/filings/Index\\_ISOTariff.html](http://www.iso-ne.com/FERC/filings/Index_ISOTariff.html)
- 3b) Generally, the Tariff provides for Transmission Dispatch and Power Administration services. The transmission related expense is the Transmission Dispatch or the ISO System Control, Scheduling and Dispatch. The Power Administration services are generation related expenses. A fully detailed description of these services is provided within the Tariff.
- 3c) The transmission expenses billed to Boston Edison under the ISO-NE Tariff for the calendar year 2001 is provided in Exh. BEC-BKR-3 (supp). Please refer to the response to Information Request DTE -1-9 for a detailed explanation of the expenses billed under the Tariff.

Supplemental Response

A paper copy is provided herewith of the NEPOOL Open Access Transmission Tariff (Attachment DTE-1-1 (2)(a) Supplemental)) and the ISO-NE Tariff (Attachment DTE-1-1 (3)(a) Supplemental)). Please note that the attachments constitute bulk documents.

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**1 Definitions**

Whenever used in this Tariff, in either the singular or plural number, capitalized terms shall have the meanings specified in Section 1 of this Tariff or in Attachment B hereto.

Attachment B consists of definitions and provisions extracted from the NEPOOL Agreement, the NEPOOL Tariff and/or the Market Rules.

**1.1** [Reserved]

**1.2** [Reserved]

**1.3** [Reserved]

**1.4 Automatic Generation Control Market (or AAGC Market@):** The market for Automatic Generation Control (AAGC@) administered by the ISO in accordance with the NEPOOL Agreement.

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- 1.5 Bid:** All information submitted by a Lead Participant related to the Bid Price, quantity, technical parameters (Bid Parameters) and timing of offers for a Generator or Dispatchable Load to provide specific services in one or more of the defined markets.
- 1.6 Bilateral Contract ( or “BC”):** Any of the following types of contracts administered by the ISO: Load Asset Contracts; Unit Contracts; Obligation System Contracts; Other System Contracts; and External Contracts.
- 1.7 Bilateral Contract Block-Hours:** Block-Hours assigned to the seller and purchaser of a Bilateral Contract.
- 1.8 Block:** Block shall mean: (1) with respect to Bilateral Contracts, a Bilateral Contract administered by the ISO for an hour (Bilateral Contracts may be submitted to the ISO requiring administration for multiple hours); and (2) with respect to Bids administered by the ISO, a quantity with a related price for Energy (Bids for Energy may contain multiple sets of quantity and price).

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- 1.16 Energy:** Power produced in the form of electricity, measured in kilowatthours or megawatthours.
- 1.17 Energy Administration Service (or AEAS®):** The service provided by the ISO, as described in Schedule 2 of this Tariff, in order to facilitate: (1) bilateral Energy transactions; (2) self-scheduling of Energy; (3) Interchange Transactions in the Energy Market; and (4) Energy Imbalance Service under the NEPOOL Tariff.
- 1.18 Energy Block-Hours:** Bilateral Contract Block-Hours associated with Bilateral Contracts for Energy and Generator Block-Hours associated with quantities of Energy with related prices contained in Bids.
- 1.19 Energy Market:** The NEPOOL market for Energy administered by the ISO.
- 1.20 Energy Non-Zero Spot Market Settlements:** Hours for which the Participant has a positive or negative Adjusted Net Interchange as determined by the ISO's settlement process for the Energy Market.

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**1.21 Energy Transaction Units (or “Energy TUs”):** The sum for a month for a Customer of Energy Block-Hours and Energy Non-Zero Spot Market Settlements, provided, however, that Energy TUs shall not include Bilateral Contract Block-Hours associated with Life of Unit Contracts, Vermont Yankee Multiple Owner Contracts or Pool Planned Unit Contracts, as follows:

- (i) Life of Unit Contracts are the Bilateral Contracts listed in Attachment G. This Life of Unit Contract exemption eliminates for TU-related billing and rate development purposes all associated Bilateral Contract Block-Hours for sellers and purchasers in each hour of a Life of Unit Contract;
- (ii) Vermont Yankee Multiple Owner Contracts are Bilateral Contracts between one or more of the multiple owners of Vermont Yankee and a Municipal Participant. This Vermont Yankee Multiple Owner Contract exemption reduces (for TU-related billing and rate calculation purposes) the number of Bilateral Contract Block-Hours that otherwise would be calculated for sale contracts with a Vermont Yankee “asset ID” in which the purchaser is

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a Municipal Participant. The number of Bilateral Contract Block-Hours calculated in any hour during which such contracts are in effect shall be limited to one Bilateral Contract Block-Hour for each seller under any such contract in that hour and one Bilateral Contract Block-Hour for each Municipal Participant buying in that hour under any such contract, regardless of the number of contracts that each Vermont Yankee asset owner has sold to a Municipal Participant in that hour and the number of asset contracts that each Municipal Participant buyer has purchased in that hour. In addition, resales of Vermont Yankee asset contracts between or among Municipal Participants shall not be assigned any Bilateral Contract Block-Hours;

- (iii) Pool Planned Unit Contracts are those Bilateral Contracts where the asset ID for the Bilateral Contract is a pool planned unit, as defined by Section 1.126 of the NEPOOL Open Access Transmission Tariff. The Pool Planned Unit Contract exemption eliminates for TU-related billing and rate calculation purposes all Bilateral Contract Block-Hours for such contracts between or among Municipal Participants.

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- 1.22 External Contract:** A contract to purchase or sell a Market product that requires an interchange schedule between the NEPOOL Control Area and another Control Area for the contract to be implemented.
- 1.23 Financial Assurance Policy:** The “Financial Assurance Policy for NEPOOL Members” provided as Attachment C hereto, as utilized by the ISO, as modified and amended from time to time.
- 1.24 Force Majeure:** An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, order, regulation or restriction imposed by a court or governmental military or lawfully established civilian authorities, or any other cause beyond a Party’s control. A Force Majeure event does not include an act of negligence or intentional wrongdoing.
- 1.25 Generator Block-Hours:** Block-Hours assigned to the Lead Participant for each Generator or Dispatchable Load.
- 1.26 [Reserved]**

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**1.27** [Reserved]

**1.28 Injections:** The sum for a month, for a Customer, expressed in total megawatthours, of: (1) the Customer's share of the amount of energy that is generated in the month by generating units in which the Customer has a direct ownership interest as a sole or joint owner and which is subject to NEPOOL central dispatch, (2) the Customer's share of the amount of energy generated in the month by generating units in which the Customer has an indirect ownership interest as a shareholder, as a general or limited partner or as a member of a limited liability company and which is subject to NEPOOL central dispatch, provided that the corporation, partnership or limited liability company is not itself a Participant, (3) the Customer's share of the amount of energy generated in the month by any other generating unit in which the Customer has an interest under a lease or other contractual arrangement, provided that the other party to the arrangement is itself not a Participant, (4) the share of any Related Person of the Customer of the amount of energy generated in the month by any other generating unit which is subject to NEPOOL central dispatch in which such Related Person

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**1.35A Municipal Participant:** An Entity which is either a municipality or an agency thereof, or a body politic and public corporation created under authority of one of the New England states, authorized to own, lease and operate electric generation, transmission or distribution facilities, or an electric cooperative, or an organization of any such Entities.



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- 1.43 [Reserved]
- 1.44 **Obligation System Contract:** A System Contract under which the quantity contracted for is expressed in terms of the buyer's obligation for the product contracted for.
- 1.45 **Operating Reserve Markets:** Collectively, the NEPOOL markets for 10-Minute Spinning Reserve (ATMSR@), 10-Minute Non-Spinning Reserve (ATMNSR@), and 30-Minute Operating Reserve (ATMOR@) administered by the ISO.
- 1.46 **Other System Contract:** A System Contract under which the quantity contracted for is expressed in terms of a MW quantity or, in the case of AGC, a Reg quantity.
- 1.47 **Parties:** Collectively, the ISO and the Customers; each, individually, a "Party."
- 1.48 **Reliability Administration Service (or ARAS@):** The service provided by the ISO, as described in Schedule 3 of this Tariff, in order to administer the Reliability Markets and provide other reliability-related and informational functions.

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- 1.49 Reliability Markets:** Collectively, the Automatic Generation Control (AAGC@) Market, the ICAP Settlement, and the Operating Reserve Markets.
- 1.50 Sanctions Rule:** “Imposition of Sanctions by the ISO,” a Market Rule administered by the ISO, and included as Attachment D to this Tariff.
- 1.51 Scheduling, System Control and Dispatch Service (or “Scheduling Service”):** The service described in Schedule 1 of this Tariff.
- 1.52 Service Agreement:** An agreement between the ISO and a Customer in the form provided in Attachment A hereto.
- 1.53 Services:** Collectively, the Scheduling Service, EAS and RAS; individually, a “Service.”
- 1.54 System Operator:** ISO New England Inc.
- 1.55 Tariff:** This Tariff for Transmission Dispatch and Power Administration Services.
- 1.56 [Reserved]**

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**1.57** [Reserved]

**1.58** [Reserved]

**1.59** [Reserved]

**1.60** [Reserved]

**1.61** [Reserved]

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**1.62** [Reserved]

**1.63** [Reserved]

**1.64** [Reserved]

**1.65 Transaction Unit (or “TU”):** A type of billing determinant under Schedule 2 of this Tariff used to assess charges to Customers under this Tariff.

**1.66 Transaction Unit-Based Charges:** Those charges for which a Customer shall be liable to pay the ISO based on the applicable Tariff rate and the aggregate amount of Transaction Units by Schedule (for Schedule 2) accumulated by such Customer within that month.

**1.67 Transmission Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the ISO on

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behalf of the Participants (or filed in unexecuted form), for service under the NEPOOL Tariff.

**1.68 Unauthorized Use:** The amount in kilowatts by which a Transmission Customer exceeds its Reserved Capacity for Point-to-Point Transmission Service, calculated in the manner described in the document posted on the ISO's website at [www.iso-ne.com/transmission\\_services\\_and\\_generation\\_interconnection/documents/Tariff\\_Specific\\_Business\\_Practice/Point\\_To-Point\\_Transmission\\_Services/Use\\_and\\_Unauthorized\\_Use\\_Point\\_to\\_Point\\_Service.doc](http://www.iso-ne.com/transmission_services_and_generation_interconnection/documents/Tariff_Specific_Business_Practice/Point_To-Point_Transmission_Services/Use_and_Unauthorized_Use_Point_to_Point_Service.doc).

**1.69 Volumetric Measure (or "VM"):** A type of billing determinant under Schedule 2 of this Tariff used to assess charges to Customers under this Tariff.

**1.70 Volumetric Measure-based Charges:** Those charges for which a Customer shall be liable to pay based on the applicable Tariff rate and the aggregate amount of Volumetric Measures by Schedule (for Schedule 2) accumulated by such Customer within that month.

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**2 Purpose of This Tariff; Adjustments to Rates**

**2.1 Purpose of This Tariff**

This Tariff is the means by which the ISO collects the revenues necessary to carry out its functions through calendar year 2003. This Tariff contains rates, charges, terms and conditions for the following Services, which together encompass the functions carried out by the ISO:

- (1) Scheduling, System Control and Dispatch Service (Schedule 1 hereto);
- (2) Energy Administration Service (Schedule 2 hereto); and
- (3) Reliability Administration Service (Schedule 3 hereto).

The rates and charges for each Service during a Calendar Year are based on the allocated portion of that year's budgeted total expense as adjusted by true-ups described herein (the "Revenue Requirement").

By way of example, the Revenue Requirement for Calendar Year 2001 for all Services is \$57,951,005. If the ISO determines during a Calendar Year that collections under this Tariff (for all Services) will exceed 105 percent of the Revenue Requirement for that Calendar Year, the ISO will file with the Commission an amended or superseding tariff or rate schedule.

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## 2.2 ISO Filings

(1) On or before November 1, 2001, and again on or before November 1, 2002, the ISO will file, pursuant to Section 205 of the Federal Power Act, its proposed revenue requirement for the following calendar year (which may include a proposed formula rate) for each of the three schedules to this Tariff.

(2) Not later than November 1, 2003, the ISO will make a Section 205 filing for recovery of its revenue requirement for 2004 and succeeding years (which may reflect a different rate design from that of the then-existing Tariff and which may include a formula rate). The revenue requirement for 2004 and thereafter will reflect additions or subtractions to the revenue requirement as required by the true-ups set forth in Section 2.3 hereof.

## 2.3 True-Ups

### (1) Schedule 2 True-Up

(i) The true-ups for recovery of the Schedule 2 revenue requirement by the ISO shall be made in two stages. In determining the ISO's

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revenue requirement for each subsequent year, the ISO will make an initial true-up based upon estimates of the current year's revenues under Schedule 2 using eight months of historical data and four months of projected data. Any difference between these current year (Year X) estimated revenues and the ISO budgeted quantities for Year X will be carried forward into the projected Schedule 2 rates for the following year (Year X+1) as stated in paragraph (ii) below. Prior to the filing of the revenue requirement for year (X+2), the ISO will calculate a second true-up. The ISO will determine the actual difference between the revenues that were collected in Year X based upon a full 12 months of historical data and the ISO budgeted amounts for Year X. Any differences between the first true-up and the second true-up will be carried forward into the projected rates for year (X+2) as stated in paragraph (iii) below.

- (ii) In implementing the initial true-up adjustment for revenue differences in the volumetric portion of Schedule 2, the differences will be added to (in the case of a revenue shortfall) or subtracted



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from (in the case of a revenue over-recovery) the ISO's total estimated budgeted amounts for Schedule 2 for the coming year. For revenue over-recoveries attributable to the TUs in Schedule 2, the ISO will treat them in the same manner as revenue adjustments for the volumetric portion of Schedule 2. For revenue shortfalls attributable to the TUs in Schedule 2, the ISO will allocate them according to the following method:

- (a) 50% of the shortfall will be added to the ISO's projected revenue requirement for the Schedule 2 volumetric component (85% of the projected Schedule 2 revenue requirement prior to true-ups).
- (b) An additional percentage of the shortfall will be added to the ISO's projected revenue requirement for the Schedule 2 volumetric component for each percentage decrease which was deemed to have occurred between the number of TUs used in the true-up and the number of TUs that the ISO had used in the original projection of the rates for that year.
- (c) The maximum percentage of the shortfall to be added to the

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Schedule 2 volumetric component is 100%, which would result if the percentage difference between the actual and forecasted TU's were 50% or greater.

(d) Any remaining shortfall revenues after allocation of the shortfall to Schedule 2 volumetric component will be added to the ISO's projected revenue requirement for the Schedule 2 TU component (15% of the projected Schedule 2 revenue requirements prior to true-ups).

(iii) In calculating the final true ups for Schedule 2 for Year X (calculated in Year (X+1)), the ISO will repeat the allocation process described in paragraph (ii) above but will utilize the actual data for Year X, rather than the estimated data. (That is, the ISO will recalculate the initial true up as set forth in paragraph (ii) as if full-year actual data had been available.) The initial true up allocations within Schedule 2 to each component, based upon annualized data, will be subtracted from the revised true up allocations using actual data, and the difference will be included in the ISO's budgeted Revenue Requirement for Schedule 2, and

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within Schedule 2 to each component, for Year X+2.

- (iv) True-Ups Collected in Rates in 2004 and 2005. Notwithstanding any other provision of this Settlement Agreement, to the extent ISO-NE proposes to change its rate design after expiration of this Settlement Agreement, the ISO will continue to implement the True-Up procedures stated in this section to recover under- or over-collections of TUs during years subject to this Settlement Agreement (*i.e.*, until January 1, 2006).

(2) General True-Up

For the Services described in Schedules 1, 2 and 3, deviations between collections under the Tariff and the ISO's actual expenses will be reconciled through a year-to-year, prospective true-up. For example, before the close of Calendar Year 2001, the ISO will compute the total actual-to-date and projected-to-year-end expenses of providing each of those Services, and compare these totals with the total charges actually collected (and projected to be collected through 2001) under this Tariff for each Service during Calendar Year 2001. Based on these comparisons, the ISO will adjust the otherwise-projected revenue requirement for Calendar

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Year 2002 for one or more of the Services, as needed, downward or upward to reflect the expected Calendar Year 2001 surplus or deficit, respectively, while preserving a reasonable amount of cash working capital. From these figures the ISO will calculate rates for Calendar Year 2002, and make a rate change filing for Calendar Year 2002 and succeeding years, as required, to reflect the budget amount for the applicable Calendar Year and the true-ups calculated by means of the foregoing analysis and adjustments. Any deviation between projected and actual true-up amounts for Calendar Year 2001 will be reflected in the rate changes for Calendar Year 2003.

(3) Indemnification

The 2001 Revenue Requirement does not reflect any amounts  
received by the ISO due to indemnification payments.

**3 Billing and Payment**

**3.1 Billing Procedure:** With respect to charges under this Tariff, the ISO shall make  
use of the NEPOOL Billing Policy as set forth in Attachment F.

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**Schedule 1**  
**Scheduling, System Control and Dispatch Service**

Scheduling, System Control and Dispatch Service ("Scheduling Service") is the service required to schedule at the pool level the movement of power through, out of, within, or into the NEPOOL Control Area. Local level service should be provided under the Local Network Service tariffs of the individual Transmission Providers. For transmission service under the NEPOOL Tariff, Scheduling Service is an Ancillary Service that can be provided only by the ISO. All Transmission Customers must: be Customers for Scheduling Service under this Tariff; purchase this Service from the ISO; and must enter into a Service Agreement of the type specified in Attachment A hereto. The ISO's charges stated herein for Scheduling Service are based on the expenses incurred by the ISO in providing this Service. In addition, the ISO acts as a billing agent for the operators of the NEPOOL satellite dispatch centers and certain Participants in order to collect expenses incurred in providing this service pursuant to Schedule 1 of the NEPOOL Tariff.

The ISO's expenses are based on the functions and activities required to provide this Service and include, but are not limited to:

- Processing and implementation of requests for transmission service, including support of the NEPOOL OASIS node;

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- Coordination of transmission system operation (including administration of reactive power requirements under Schedule 2 of the NEPOOL Tariff) and implementation of necessary control actions by the ISO and support for these functions;
  - Billing associated with transmission services provided under the NEPOOL Tariff;
  - Transmission system planning which supports this Service; and
  - Administrative costs associated with the aforementioned functions.

For the ISO's expenses in providing transmission-related Scheduling Service:

Each Customer that is obligated to pay the Regional Network Service rate shall pay each month, in arrears, an amount equal to the product of \$0.03969 per kilowatt times its Network Load for that month.

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Each Customer that is a Transmission Customer receiving Point-to-Point Transmission Service (including Unauthorized Use of such service) shall pay each month, in arrears, an amount equal to the product of the Transmission Customer's highest amount of Reserved Capacity (expressed in kilowatts) for each transaction scheduled to occur during the month as Point-to-Point Transmission Service times:

- (1) for each month of firm annual or monthly service, 0.03969 per kilowatt;
- (2) for each week of firm weekly service, 0.00916 per kilowatt;
- (3) for each day of firm daily service, 0.00183 per kilowatt, but the rate for 5 to 7 consecutive days may not exceed the per-week rate;
- (4) for each month of non-firm annual or monthly service, 0.03969 per kilowatt;
- (5) for each week of non-firm weekly service, 0.00916 per kilowatt;
- (6) for each day of non-firm daily service, 0.00131 per kilowatt; and
- (7) for each hour of non-firm hourly service; 0.00005 per kilowatt.

Schedule 1 revenues collected from Point-to-Point Transmission Service customers shall be credited to each Network Customer that month in proportion to each Network Customer's Monthly Network Load in that month.

All general terms and conditions of this Tariff apply to this Service.



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**Schedule 2**  
**Energy Administration Service**

Energy Administration Service (AEAS@) is the Service provided by the ISO to administer the Energy Market. In this process, the ISO administers bilateral transactions and Bids for Generators and determines spot Energy Market settlements in accordance with the NEPOOL Agreement and the corresponding rules promulgated thereunder. Each EAS Customer must enter into a Service Agreement of the type specified in Attachment A hereto.

The ISO's expenses are based on the functions required to provide EAS and include, but are not limited to:

- Core operation of the Energy Market;
- Generation dispatch related to the Energy Market;
- Energy accounting;
- Loss determination and allocation;
- Billing preparation;
- Market power monitoring and mitigation for the Energy Market;
- Sanctions activities;
- Market assessment and reports; and
- Formulation of additional Market Rules and proposals to modify existing rules.

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**For the ISO's expenses in providing EAS:**

Each Participant that has an account for Energy that is settled by the ISO for the current month shall be considered an EAS Customer. Each EAS Customer shall pay each month an amount based on Transaction Units and an amount based on Volumetric Measures.

Energy TU Based Charges: Each Customer that has, during a month, incurred Energy TUs exceeding zero shall pay an amount, in arrears, equal to the sum of the products of:

- (1) \$0.22472 times the Customer's first 12,500 Energy TUs for that month,  
plus
- (2) \$0.20429 times the amount of Energy TUs that exceed 12,500 but are less  
than or equal to 39,500, plus
- (3) \$0.18386 times the amount of Energy TUs that exceed 39,500.

Volumetric Measure Based Charges: A Customer shall be considered an EAS VM Customer if the sum of Electrical Load and Injections (measured in megawatt-hours, MWh)

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assessed to that Customer during the month exceeds zero (0). In which case, the total EAS VM for that Customer shall equal to the sum of:

- (1) Electrical Load for the month (megawatthours, MWh); and
- (2) Injections for the month (megawatthours, MWh);

provided, however, that Injections associated with energy imported into the NEPOOL Control Area by Bangor Hydro-Electric Company across the New Brunswick Ties shall be excluded (up to 300 MW) for billing and rate calculation purposes from EAS VMs.

Subject to the foregoing, each Participant that is identified as an EAS VM Customer for that month shall pay an amount, in arrears, based on total EAS VM, equal to:

- (a) \$0.11856 per MWh for the first 250,000 MWh of EAS VM for that month;
- (b) \$0.10779 per MWh for each VM that exceeds 250,000 EAS VM but is less than or equal to 1,500,000 MWh for that month;
- (c) \$0.09701 per MWh for each EAS VM in excess of 1,500,000 MWh for that month.

All general terms and conditions of this Tariff apply to this Service.

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**Schedule 3**  
**Reliability Administration Service**

Reliability Administration Service ("RAS") is the Service provided by the ISO to administer the Reliability Markets (and facilitate reliability-associated transactions and arrangements) in accordance with the NEPOOL Agreement and the corresponding rules promulgated thereunder, and to provide other reliability and informational services. The Reliability Markets are also a means by which certain Ancillary Services are obtained under the NEPOOL Tariff. Each Customer must enter into a Service Agreement of the type specified in Attachment A hereto.

The ISO's administrative expenses are based on the functions required to provide this Service and include, but are not limited to:

- (1) Generation dispatch associated with Reliability Markets;
- (2) Reliability Markets accounting;
- (3) Billing preparation;
- (4) NEPOOL generation emissions analysis;
- (5) Risk profile updates;
- (6) Triennial review of resource adequacy;
- (7) Preparation of regional reports and load forecasts and profiles (CELT,

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EIA, NERC);

- (8) Support of power supply, environmental and market reliability planning activities;
- (9) Reliability Markets: market power monitoring, mitigation and assessment; and
- (10) Formulation of additional Market Rules and proposals to modify existing rules.

**For the ISO's expenses in providing RAS:**

(1) Each Transmission Customer taking Point-to-Point Transmission Service that is not a Participant shall be considered a RAS Customer and shall pay each month, in arrears, a RAS Fee (corresponding to the duration of Point-to-Point Transmission Service taken in that month) in the following amounts:

- (a) For each month of annual or monthly Point-to-Point Transmission Service received, \$655;
- (b) For each week of weekly Point-to-Point Transmission Service received (whether firm or non-firm), \$151.15;
- (c) For each day of firm daily Point-to-Point Transmission Service received, \$30.23, provided that the rate for 5 to 7 consecutive days may not exceed the per week

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rate;

(d) For each day of non-firm daily Point-to-Point Transmission

Service received, \$21.59; and

(e) For each hour of non-firm hourly Point-to-Point Transmission

Service received, \$0.90.

(2) Each Customer that is a Participant shall be considered a RAS Customer and shall pay each month, in arrears:

(a) an amount equal to the product of \$0.03133 per kilowatt times the Participant's Non-Coincident Peak Electrical Load (measured in kilowatts) for that month; and

(b) an amount equal to the product of \$0.02747 per kilowatt times the Participant's Non-Coincident Peak Injections (measured in kilowatts) for that month;

provided, however, that, pursuant to the terms of the Settlement Agreement entered into in Docket No. ER01-316-000, the Participant rates in this subsection (2) shall terminate December 31, 2001, and shall be replaced successively with new rates based on the following rate design:

(y) from January 1, 2002 through December 31, 2002, 80 percent of the Schedule 3 revenue requirement for 2002 will be collected based on Customers' Non-Coincident Peak Electrical Load and 20 percent will be collected based on Customers' Non-Coincident Peak Injections; and  
(z) from January 1, 2003 through December 31, 2003, 100 percent of the Schedule 3 revenue

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requirement for 2003 will be collected based on Customers' Non-Coincident Peak Electrical Load.

Charges collected under Schedule 3 for RAS do not include any amounts paid by the ISO on behalf of the Participants to purchase emergency power.

Charges collected under Schedule 3 for RAS do not include the recovery of costs associated with disclosure or tracking obligations. If one or more states require Participants to undertake such activity the ISO will separately charge the expenses associated with such obligations.

All general terms and conditions of this Tariff apply to this Service.



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## ATTACHMENT G

### List of Life of Unit Contracts

Contract Identification Number:														
448	813	879	950	1731	10972	14471	14519	14567	14615	14663	14711	14836	15213	
454	814	880	951	1732	10986	14472	14520	14568	14616	14664	14712	14837	15214	
460	827	887	952	1733	10987	14473	14521	14569	14617	14665	14713	14838	15216	
478	828	888	953	1734	10988	14474	14522	14570	14618	14666	14714	14839	15229	
496	829	889	954	1735	10989	14475	14523	14571	14619	14667	14715	14840	15230	
508	830	890	955	1736	10990	14476	14524	14572	14620	14668	14716	14841	15231	
514	831	891	956	1737	10991	14477	14525	14573	14621	14669	14717	14842	15232	
520	832	892	957	1738	14430	14478	14526	14574	14622	14670	14718	14843	15233	
743	833	893	958	1739	14431	14479	14527	14575	14623	14671	14719	14844	15234	
744	834	894	970	1740	14432	14480	14528	14576	14624	14672	14720	14845	15235	
745	835	895	976	1741	14433	14481	14529	14577	14625	14673	14721	14846	15236	
746	836	896	1337	1742	14434	14482	14530	14578	14626	14674	14722	14847	15237	
747	837	897	1338	10001	14435	14483	14531	14579	14627	14675	14723	14848	15238	
748	838	898	1339	10002	14436	14484	14532	14580	14628	14676	14724	14849	15239	
749	845	904	1340	10005	14437	14485	14533	14581	14629	14677	14725	14850	15240	
750	846	905	1341	10006	14438	14486	14534	14582	14630	14678	14726	14851	15241	
751	847	906	1342	10007	14439	14487	14535	14583	14631	14679	14727	14852	15242	
752	848	907	1385	10010	14440	14488	14536	14584	14632	14680	14728	14853	15245	
753	849	908	1422	10013	14441	14489	14537	14585	14633	14681	14729	14854	15246	
754	850	909	1423	10019	14442	14490	14538	14586	14634	14682	14730	14855	15247	
755	851	910	1424	10021	14443	14491	14539	14587	14635	14683	14731	14856	15248	
756	852	911	1425	10022	14444	14492	14540	14588	14636	14684	14732	14857	15249	
757	853	912	1426	10031	14445	14493	14541	14589	14637	14685	14733	14858	15250	
758	854	913	1427	10032	14446	14494	14542	14590	14638	14686	14734	14859	15251	
759	855	914	1502	10033	14447	14495	14543	14591	14639	14687	14735	14860	15267	
760	856	915	1503	10035	14448	14496	14544	14592	14640	14688	14736	14861	15268	
767	857	916	1504	10036	14449	14497	14545	14593	14641	14689	14737	14862	15269	
768	858	917	1505	10037	14450	14498	14546	14594	14642	14690	14738	14863	15270	
769	859	918	1506	10038	14451	14499	14547	14595	14643	14691	14739	14864	15271	
770	860	919	1507	10039	14452	14500	14548	14596	14644	14692	14740	14865	15272	
771	861	920	1700	10040	14453	14501	14549	14597	14645	14693	14741	14866	15273	
772	862	921	1701	10042	14454	14502	14550	14598	14646	14694	14742	14867	15322	
773	863	922	1702	10043	14455	14503	14551	14599	14647	14695	14743	14868	15323	
774	864	929	1703	10044	14456	14504	14552	14600	14648	14696	14744	14869	15324	
775	865	930	1704	10047	14457	14505	14553	14601	14649	14697	14745	14870	15325	
776	866	931	1705	10048	14458	14506	14554	14602	14650	14698	14746	15195	15326	
777	867	932	1706	10049	14459	14507	14555	14603	14651	14699	14747	15197	15327	
778	868	933	1707	10053	14460	14508	14556	14604	14652	14700	14748	15200	15328	
803	869	934	1708	10057	14461	14509	14557	14605	14653	14701	14749	15201	20884	
804	870	941	1709	10060	14462	14510	14558	14606	14654	14702	14750	15202	60075	
805	871	942	1710	10062	14463	14511	14559	14607	14655	14703	14751	15203	60082	
806	872	943	1711	10063	14464	14512	14560	14608	14656	14704	14829	15204	60206	
807	873	944	1712	10065	14465	14513	14561	14609	14657	14705	14830	15205	60214	
808	874	945	1713	10967	14466	14514	14562	14610	14658	14706	14831	15207	60331	
809	875	946	1714	10968	14467	14515	14563	14611	14659	14707	14832	15209	60338	
810	876	947	1715	10969	14468	14516	14564	14612	14660	14708	14833	15210	175519	
811	877	948	1716	10970	14469	14517	14565	14613	14661	14709	14834	15211	175532	
812	878	949	1717	10971	14470	14518	14566	14614	14662	14710	14835	15212	175545	

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## 1 Definitions

Whenever used in this Tariff, in either the singular or plural number, capitalized terms shall have the meanings specified in Section 1 of this Tariff or in Attachment B hereto.

Attachment B consists of definitions and provisions extracted from the NEPOOL Agreement, the NEPOOL Tariff and/or the Market Rules.

- 1.1 **Calendar Year:** A period of 365 or 366 days, whichever is appropriate, commencing on January 1.
- 1.2 **Capital Funding Tariff (or "CFT"):** This Capital Funding Tariff, FERC Electric Tariff, Volume No. 2.
- 1.3 **Commission:** The Federal Energy Regulatory Commission.
- 1.4 **Customer:** A Participant.
- 1.5 **Energy Administration Service (or "EAS"):** The service provided by the ISO, as described in Schedule 2 of the Tariff, in order to facilitate: (1) bilateral Energy transactions; (2) self-scheduling of Energy; (3) Interchange Transactions in the Energy Market; and (4) Energy Imbalance Service under the NEPOOL Tariff.
- 1.6 **Financial Assurance Policy:** The "Financial Assurance Policy for NEPOOL Members," (Attachment C to the Tariff) as utilized by the ISO, as modified and amended from time to time and posted on the ISO's website.

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- 1.7 Force Majeure:** An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, any Curtailment, order, regulation or restriction imposed by a court or governmental military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of negligence or intentional wrongdoing.
- 1.8 ISO:** ISO New England Inc., the non-profit independent system operator that, pursuant to the ISO Agreement and the authorization of the Commission: (i) operates the NEPOOL Control Area consistent with proper standards of reliability; (ii) administers the NEPOOL Tariff; and (iii) administers a power exchange consisting of several Markets and provides support for bilateral and self-scheduled transactions.
- 1.9 ISO Agreement:** The Interim Independent System Operator Agreement made and entered into as of July 1, 1997, as modified from time to time, between the ISO and the Participants, acting by and through the NEPOOL Management Committee, or any successor agreement thereto.
- 1.10 Markets:** Collectively, the markets administered by the ISO.

- 1.11 NEPOOL:** The New England Power Pool, the power pool created under and governed by the NEPOOL Agreement, and the Entities collectively participating in the New England Power Pool.
- 1.12 NEPOOL Agreement:** The New England Power Pool Agreement dated as of September 1, 1971, as amended and restated from time to time.
- 1.13 NEPOOL Billing Policy:** The New England Power Pool Billing Policy (Attachment F to the Tariff) as utilized by the ISO, as modified and amended from time to time and posted on the ISO's website.
- 1.14 NEPOOL Control Area:** The Control Area for NEPOOL.
- 1.15 NEPOOL Tariff:** The Restated NEPOOL Open Access Transmission Tariff and accompanying schedules and attachments, as modified and amended from time to time.
- 1.16 Parties:** Collectively, the ISO and the Customers; each, individually, a "Party."
- 1.17 Reliability Administration Service (or "RAS"):** The service provided by the ISO, as described in Schedule 3 of this Tariff, in order to administer the Reliability Markets and provide other reliability-related and informational functions.
- 1.18 Scheduling, System Control and Dispatch Service (or "Scheduling Service):**  
The service described in Schedule 1 of the Tariff.

**1.19 Service Agreement:** An agreement between the ISO and a Customer in the form provided in Attachment 3 to this Tariff.

**1.20 Services:** Collectively, the Scheduling Service, EAS and RAS; individually, a "Service."

**1.21 System Operator:** ISO New England Inc.

**1.22 Tariff:** The then-effective tariff on file with the Commission (and posted on the ISO's website) by which the ISO's administrative costs for providing the Services are collected.

## **2 Purpose of the Capital Funding Tariff and the Charges Assessed Hereunder**

The CFT is the means by which the ISO collects: (1) the revenues necessary, to the extent not obtained by the ISO through private financing, for the acquisition of capital assets required for support of the ISO's operations, as reflected in the capital budget and allocation document set forth as Attachment A hereto; (2) any remaining unamortized costs of items listed in Attachment A in the event of early termination or required accelerated repayment of private financing approved by the Commission pursuant to Section 204 of the Federal Power Act and entered into by the ISO in support of capital item acquisitions (including private financing entered into for repayment of Participants for capital items previously acquired through the effective date of this CFT) reflected in

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Attachment A hereto; and (3) the working capital amount required by the ISO in the event of early termination or required accelerated repayment of private financing approved by the Commission pursuant to Section 204 of the Federal Power Act and entered into by the ISO (following approval thereof by the Commission pursuant to Section 204 of the Federal Power Act) to meet working capital requirements. The working capital requirement of the ISO, assuming it continues to bill and collect its administrative costs on a monthly cycle, at any given time, is equivalent to the ISO's budgeted administrative costs over the succeeding three months (the "Working Capital Amount").

The CFT comprises three charges corresponding to the three categories of costs described above.

- The Capital Funding Charge (the "CFC") will collect from the Participants funds for the direct purchase of capital assets if the ISO does not enter into private financing to support these purchases. The CFC is intended to replace the Participants' assessment provided for in the 68<sup>th</sup> Agreement Amending the Restated NEPOOL Agreement.

The Early Amortization Charge (the "EAC") will collect from the Participants remaining unamortized costs of items listed in Attachment A in the event of early

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termination or required accelerated repayment of private financing entered into by the ISO in support of capital item acquisitions.

- The Early Amortization Working Capital Charge (the "EAWCC"), will collect from the Participants such funds as are required to fund the Working Capital Amount in the event of early termination or required accelerated repayment of private financing entered into by the ISO in support of working capital needs of the ISO.

Each Participant is a Customer under the CFT, and must enter into a Service Agreement of the type specified in Attachment C hereto.

The ISO will not, and will not cause anyone else to, seek a revocation or termination of the EAC or EAWCC, or seek any modification to the EAC or EAWCC that would adversely affect the rights of the ISO's lenders during the terms of the ISO's private financing agreements or while any indebtedness or other obligations of the ISO are outstanding thereunder.

**A. The CFC**

The CFC recovers the acquisition costs of capital items listed in Attachment A that have not already been funded by Participants under the NEPOOL Agreement and only to the extent that the ISO is unable to recover these remaining costs through private financing (see Section 20(d) of the NEPOOL Agreement).

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Capital costs to be funded, as necessary, through the CFC have been categorized in Attachment A. The cost of each capital item is allocated among the three Services corresponding to the extent to which that capital item is utilized in providing the Service.

These Services are:

- (1) Scheduling Service (Schedule 1 to the Tariff)("Schedule 1");
  - (2) Energy Administration Service (Schedule 2 to the Tariff)("Schedule 2");
- and
- (3) Reliability Administration Service (Schedule 3 to the Tariff)("Schedule 3") (each, a "Schedule" and, collectively, the "Schedules").

To assist the Participants in their planning for payments of the CFC, the ISO will post on its website a non-binding, estimated monthly cash flow requirements of the ISO (for the upcoming Calendar Year or portion thereof) with respect to acquisition of the capital items listed in Attachment A, and allocated among the Schedules.

Each month, the ISO shall bill each Participant, and each Participant shall pay, as its CFC: (1) the proportion of the capital costs allocated to Schedule 1 under Attachment A actually incurred by the ISO during the preceding month equaling the proportion of the Participant's charges under Schedule 1 of the Tariff to the total charges to all Participants under that rate schedule during the preceding month; (2) the proportion of the capital costs allocated to Schedule 2 under Attachment A actually incurred by the

ISO during the preceding month equaling the proportion of the Participant's charges under Schedule 2 of the Tariff to the total charges to all Participants under that rate schedule during the preceding month; and (3) the proportion of the capital costs allocated to Schedule 3 under Attachment A actually incurred by the ISO during the preceding month equaling the proportion of the Participant's charges under Schedule 3 of the Tariff to the total charges to all Participants under that rate schedule during the preceding month.

For example, if the Schedule 2 capital costs and the Schedule 3 capital costs incurred in the preceding month are \$500,000 each, and the Participant's share of total charges to Participants under Schedule 2 for March was 5%, and the Participant's share of total charges under Schedule 3 for March was 3%, the Participant's CFC that month would equal (for Schedule 2)  $\$500,000 \times .05$  or \$25,000, plus (for Schedule 3)  $\$500,000 \times .03$  or \$15,000, for a total CFC of \$40,000.

**B. The EAC**

In the event of early termination or required accelerated repayment of private financing that has been entered into by the ISO in support of the items listed in Attachment A, and if no replacement financing has been obtained by the ISO, an EAC will be billed to, and paid by, each Participant. The ISO shall provide electronic notice (no less than thirty (30) business days in advance of the date payment is due to the ISO's

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lenders) to each Participant of the aggregate amount of the unamortized costs of the financed assets (the "EA Amount"), and the portion of the EA Amount assigned by the ISO to each of the Schedules (the "Announced Schedule 1 EA Amount," the "Announced Schedule 2 EA Amount," and the "Announced Schedule 3 EA Amount," respectively). The foregoing assignment by the ISO of the EA Amount to each of the Schedules shall be made in proportion to the total respective value of capital items (purchased through the date of early termination using the private financing) allocated to each of the Schedules under Attachment A. In each such circumstance, the ISO shall, immediately after giving the notice described above, bill each Participant and each Participant shall pay, as its EAC: (1) the proportion of the Announced Schedule 1 EA Amount equaling the proportion of the Participant's charges under Schedule 1 of the Tariff to the total charges to all Participants under that rate schedule during the month previous to the month in which the foregoing notice has been given; (2) the proportion of the Announced Schedule 2 EA Amount equaling the proportion of the Participant's charges under Schedule 2 of the Tariff to the total charges to all Participants under that rate schedule during the month previous to the month in which the foregoing notice has been given; and (3) the proportion of the Announced Schedule 3 EA Amount equaling the proportion of the Participant's charges under Schedule 3 of the Tariff to the total charges to all Participants

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under that rate schedule during the month previous to the month in which the foregoing notice has been given.

For example, if the Announced Schedule 2 EA Amount and the Announced Schedule 3 EA Amount in April are \$500,000 each, and the Participant's share of total charges to Participants under Schedule 2 for March was 5%, and the Participant's share of total charges under Schedule 3 for March was 3%, the Participant's EAC would equal (for Schedule 2)  $\$500,000 \times .05$  or \$25,000, plus (for Schedule 3)  $\$500,000 \times .03$  or \$15,000, for a total EAC of \$40,000.

**C. The EAWWC**

In the event of early termination or required accelerated repayment of private financing that has been entered into by the ISO in support of the ISO's working capital requirements, and if no replacement financing has been obtained by the ISO, an EAWCC will be billed to, and paid by, each Participant. The ISO shall provide electronic notice (no less than thirty (30) business days in advance of the date payment is due to the ISO's lenders) to each Participant of the aggregate amount of the Working Capital Amount (the "EAWW Amount"). In each such circumstance, the ISO shall immediately bill each Participant and each Participant shall pay, as its EAWWC, the proportion of the EAWW Amount equaling the proportion of the Participant's charges under the Tariff to the total

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charges to all Participants under the Tariff during the month previous to the month in which notice has been given.

For example, if notice is given in April that the EAWW Amount is \$1,000,000 and the Participant's share of total charges under all three Schedules for March was 4% of all charges to all Participants, the Participant would be charged a EAWCC of  $\$1,000,000 \times .04$  or \$40,000.

### **3 Billing and Payment**

**3.1 Billing Procedure:** With respect to charges under the CFT, the ISO shall make use of the NEPOOL Billing Policy.

**3.2 Interest on Unpaid Balances:** Interest on any unpaid amounts shall be calculated and payable to the ISO in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. §35.19a(a)(2)(iii). Interest on delinquent amounts will be calculated from the due date of the bill to the date of payment.

**3.3 Customer Default:** In the event a Customer fails to make payment to the ISO on or before the due date as described above, and such failure of payment (the Default Amount) is not corrected within 10 days of when due (a "Payment Default"), without limiting any of the other remedies described in the NEPOOL

Billing Policy, the ISO (on its own behalf or on behalf of NEPOOL) may (but shall not be required to) notify such Participant or Non-Participant Transmission Customer in writing, electronically and by first class mail sent in each case to such Participant's member or alternate on the Participants Committee or billing contact (it being understood that the ISO will use reasonable efforts to contact all three) or such Non-Participant Transmission Customer's billing contact, of such Payment Default. Either simultaneously with the giving of the notice described in the preceding sentence or within ten days thereafter (unless the Payment Default giving rise to such notice is cured during such period), the ISO shall notify each other member and alternate on the NEPOOL Participants Committee and each Participant's billing contact of the identity of the Participant or Non-Participant Transmission Customer receiving such notice, whether such notice relates to a Payment Default and the actions the ISO plans to take and/or has taken in response to such Payment Default.

Notwithstanding any other provision of the NEPOOL Billing Policy to the contrary, the ISO shall take appropriate actions to recover the Default Amount and such accrued interest and late charges, which actions may include, without limitation, initiating proceedings in accordance with the appropriate dispute resolution mechanisms or actions with NEPOOL or before the Commission or a

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court of competent jurisdiction against the defaulting Participant or Non-Participant Transmission Customer. Prior to the commencement of any such action or proceeding with respect to amounts due to Participants, the ISO shall obtain the approval of the NEPOOL Participants Committee or its designee and shall offer to the NEPOOL Participants Committee or its designee an opportunity to be involved in such action or proceeding. Any amounts incurred by the ISO or any Participant in connection with any such action or proceeding shall be paid by the defaulting Participant or Non-Participant Transmission Customer.

#### **4 Regulatory Filings**

Nothing contained in this Capital Funding Tariff shall be construed as affecting in any way the right of the ISO to file with the Commission under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder for a change in any rates, terms and conditions, charges, classification of service, Service Agreement, rule or regulation.

Nothing contained in this Capital Funding Tariff shall be construed as affecting in any way the ability of any Customer under this Capital Funding Tariff to exercise its rights under the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder.

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## **5 Force Majeure and Indemnification**

**5.1 Force Majeure:** Neither the ISO nor a Customer will be considered in default as to any obligation under this Capital Funding Tariff if prevented from fulfilling the obligation due to an event of Force Majeure; provided that no event of Force Majeure affecting any Entity shall excuse that Entity from making any payment that it is obligated to make hereunder or under a Service Agreement. However, an Entity whose performance under this Capital Funding Tariff is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Tariff, and shall promptly notify the ISO or the Customer, whichever is appropriate, of the commencement and end of each event of Force Majeure.

**5.2 Liability:** The ISO shall not be liable for money damages or other compensation to the Customer for actions or omissions by the ISO in performing its obligations under this Capital Funding Tariff or Service Agreement thereunder, provided it has not willfully breached this Capital Funding Tariff or a Service Agreement or engaged in willful misconduct. To the extent the Customer has claims against the ISO, the Customer may only look to the assets of the ISO for the enforcement of such claims and may not seek to enforce any claims against the directors,

members, officers, employees or agents of the ISO who, the Customer acknowledges and agrees, have no personal liability for obligations of the ISO by reason of their status as directors, members, officers, employees or agents of the ISO. In no event shall either the ISO or any Customer be liable for any incidental, consequential, multiple or punitive damages, loss of revenues or profits, attorneys fees or costs arising out of, or connected in any way with the performance or non-performance of this Capital Funding Tariff, any Service Agreement thereunder or the ISO Agreement.

- 5.3 Indemnification:** Each Customer shall at all times indemnify, defend, and save harmless the ISO and its directors, officers, members, employees and agents from any and all damages, losses, claims and liabilities by or to third parties arising out of or resulting from the performance by the ISO under this Capital Funding Tariff or any Service Agreement thereunder, any bankruptcy filings made by a Customer, or the actions or omissions of the Customer in connection with this Capital Funding Tariff or any Service Agreement thereunder, except in cases of gross negligence or willful misconduct by the ISO or its directors, officers, members, employees or agents. The amount of any indemnity payment hereunder shall be reduced (including, without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by the indemnified party in respect

of the indemnified action, claim, demand, cost, damage or liability. The obligations of each Customer to indemnify the ISO shall be several, and not joint or joint and several. A Customer's obligation to contribute to any indemnity payment hereunder shall be limited to a percentage thereof equal to the Customer's payments under this Capital Funding Tariff over the twelve (12) calendar months preceding the date of payment divided by the total payments of all Customers under this Capital Funding Tariff over the same period.

## **6 Creditworthiness**

The ISO will apply the creditworthiness provisions of the Financial Assurance Policy to Participants. Each Participant shall comply with the requirements of Attachment C of the Tariff.

## **7 Dispute Resolution Procedures**

**7.1 Dispute Resolution Procedures:** Any dispute between a Customer and the ISO with respect to this Capital Funding Tariff (excluding applications for rate changes or other changes to this Capital Funding Tariff, or to any Service Agreement entered into under this Capital Funding Tariff, which shall be presented directly to the Commission for resolution) shall be referred to a designated senior representative of the Customer and a senior representative of

the ISO for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may fix by mutual agreement, either Party may invoke arbitration by notice to the other Party and may also (with the agreement of the other Party) submit such dispute to mediation for resolution in accordance with the procedures set forth below. The arbitration procedure shall not exceed 90 calendar days from the date of the notice by the Party invoking arbitration (the "Aggrieved Party") to the arbitrator's decision unless the Parties agree upon a longer or shorter time. All agreements by the ISO and Customer to use mediation shall establish a schedule which will control unless later changed by mutual agreement.

**7.2 Mediation:** All mediation proceedings are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. Notwithstanding the initiation of mediation, the arbitration proceeding shall proceed concurrently with the selection of the arbitrator pursuant to Section 7.3 hereof.

**7.3 Selection of Arbitrator:** The Parties shall attempt to choose by mutual agreement a single neutral arbitrator to hear the dispute. If the Parties fail to agree upon a single arbitrator within ten calendar days of the giving of notice of

arbitration, the American Arbitration Association shall be asked to appoint an arbitrator. In either case, the arbitrator shall be knowledgeable in matters involving the electric power industry, including the operation of control areas and bulk power systems, and shall not have any substantial business or financial relationships with the ISO, NEPOOL or its Participants, or the Customer (other than previous experience as an arbitrator) unless otherwise mutually agreed by the Parties.

**7.4 Costs:** Each Party shall be responsible for the following arbitration costs, if applicable:

its own costs incurred during the arbitration process; plus

- (i) One half of the common costs of the arbitration including, but not limited to, the arbitrator's fee and expenses, the rental charge for a hearing room and, if both Parties agree to the necessity therefor, the cost of a court reporter and transcript.

**7.5 Hearing Location:** Unless otherwise mutually agreed, the site for all arbitration hearings shall be Springfield, Massachusetts.

**7.6 Rules and Procedures:**

- (1) Procedure and Discovery: The procedural rules (if any), the conduct of the arbitration and the availability, extent and duration of pre-hearing discovery (if any), which shall be limited to the minimum necessary to resolve the matters in dispute, shall be determined by the arbitrator in his/her sole discretion at or prior to the initial hearing. The arbitrator shall provide each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. In addition, each Party shall designate one or more individuals to be available to answer questions the arbitrator may have on the documents or other materials submitted by that Party. The answers to all such questions shall be reduced to writing by the Party providing the answer and a copy shall be furnished to the other Party.
- (2) Pre-hearing Submissions: The Aggrieved Party shall provide the arbitrator with a brief written statement of its complaint and a statement of the remedy or remedies it seeks, accompanied by copies of any documents or other materials it wishes the arbitrator to review.

- (3) Initial Hearing: An initial hearing will be held no later than 10 days after the selection of the arbitrator and shall be limited to issues raised in the pre-hearing filings. The scheduling of further hearings at the request of either Party or on the arbitrator's own motion shall be within the sole discretion of the arbitrator.
- (4) Decision: The arbitrator's decision shall be due, unless the deadline is extended by mutual agreement of the Parties, within thirty days of the initial hearing or within ninety days of the Aggrieved Party's initiation of arbitration, whichever occurs first. The arbitrator shall be authorized only to interpret and apply the provisions of this Capital Funding Tariff or Service Agreement thereunder (or, to the extent applicable, the NEPOOL Agreement, NEPOOL Tariff or ISO Agreement) and the arbitrator shall have no power to modify or change this Capital Funding Tariff or Service Agreement (or, to the extent applicable, the NEPOOL Agreement, NEPOOL Tariff or ISO Agreement) thereunder in any manner. The arbitrator's decision shall be in writing and shall state the basis for the decision.
- (5) Effect of Arbitration Decision: The decision of the arbitrator will be conclusive in a subsequent regulatory or legal proceeding as to the facts



determined by the arbitrator but will not be conclusive as to the law or constitute precedent on issues of law in any subsequent regulatory or legal proceedings.

An Aggrieved Party may initiate a proceeding with a court or with the Commission with respect to the arbitration or arbitrator's decision only:

- if the arbitration process does not result in a decision within the time period specified and the proceeding is initiated within thirty days after the expiration of such time period; or
- on the grounds specified in Sections 10 and 11 of Title 9 of the United States Code for judicial vacation or modification of an arbitration award and the proceeding is initiated within thirty days of the issuance of the arbitrator's decision.

# **ATTACHMENT A** **LATE RESTRUCTURING CAPITAL COSTS AND THEIR ALLOCATION**

Code	Activity Description (a)	Capital Cost (b)	Adj. (c)	Adjusted Capital Cost (d)	Allocation Factor (e)
<b>2001 Items:</b>					
6529	Enhancements to Existing Markets System (mostly software)	\$3,280,000	-	\$3,280,000	Alloc-Fixed
705	CMS/MSS Implementation	12,000,000	-	12,000,000	Alloc-Fixed
12664	Building Renovations at Sullivan Road	707,800	-	707,800	Dir Labor
99997LR	Cap. salaries and burden for internal software dev. (AICPA 98-1)	1,845,700	-	1,845,700	Alloc-Fixed
9704	OASIS Phase 1b and OASIS 2	335,000	-	335,000	Alloc-Fixed
12651	Furniture for new employees	466,300	-	466,300	Dir Labor
12651	Meridian phone switches	82,500	-	82,500	Dir Labor
6529	Various hardware and software upgrades for existing systems.	280,000	-	280,000	Alloc-Fixed
12651	Upgrades for Control Room, including new chairs for forecast office.	23,600	-	23,600	Dir Labor
12651	Misc. Equip. (Including printer, fax, TV/VCR for HR, & projector for OT).	18,000	-	18,000	Dir Labor
	Total 2001 Items	\$19,038,900	-	\$19,038,900	
<b>2000 Items:</b>					
6529	Enhancements to Existing Markets System (mostly software)	4,290,000	-	4,290,000	Alloc-Fixed
6530	Enhancements to EMS System (mostly software)	1,010,000	-	1,010,000	Dir Labor
99997LR	Cap. salaries and burden for internal software dev. (AICPA 98-1)	2,258,700	-	2,258,700	Alloc-Fixed
9704	OASIS Phase 1b and OASIS 2	400,000	-	400,000	Alloc-Fixed
12651	Furniture for new employees	150,000	-	150,000	Dir Labor
12651	Computer desktops for new employees	150,000	-	150,000	Dir Labor
12651	Building/property improv. (phone processor, security upgrades, UPS switch).	195,000	-	195,000	Dir Labor
12651	Compaq host CPU and memory upgrades	1,200,000	-	1,200,000	Dir Labor
12651	Storage Area Network	400,000	-	400,000	Dir Labor
6529	Various hardware/software upgrades (Lawson, JAVA, MIS & del PCs, etc).	319,600	-	319,600	Alloc-Fixed
14564	Upgrades for DTS Room, including new console and chairs.	45,000	-	45,000	Ops Dept Labor
16042	CS&Training equip. (mm equip, phone sys upgrades, and phone recorders).	96,000	-	96,000	CS&T Dept Labor
705	CMS/MSS Implementation	8,820,000	-	8,820,000	Alloc-Fixed
12651	Leased Office Space	450,000	-	450,000	Dir Labor
16604	Electronic Dispatch	3,500,000	-	3,500,000	Alloc-Fixed
99997LR	Depreciation on additional spending	-	-	-	Alloc-Fixed
	Total 2000 Items - \$	\$23,284,300	-	\$23,284,300	
	Total 2000 Items - %		-		
99997LR	Late Restructuring Capital Costs (2000 and 2001 Items) - \$ (LRC Capital)	\$42,323,200	-	\$42,323,200	
	Late Restructuring Capital Costs (2000 and 2001 Items) - % (LRC Capital)		-		

Description (a)	Self-Funding Tariff			Basis Of Allocation (j)
	Schedule 1 (g)	Schedule 2 (h)	Schedule 3 (i)	
<b>2001 Items:</b>				
Enhancements to Existing Markets System (mostly software)	-	\$1,640,000	\$1,640,000	SW Development- Existing Market System
CMS/MSS Implementation	-	10,800,000	1,200,000	Multi-Settlement Implementation
Building Renovations at Sullivan Road	147,449	402,921	157,430	Building Maintenance
Cap. salaries and burden for internal software dev. (AICPA 98-1)	178,732	1,011,220	655,748	Depreciation Accruals Late Restructuring
OASIS Phase 1b and OASIS 2	335,000	-	-	NEPOOL OASIS Administration
Furniture for new employees	97,139	265,445	103,715	Adm/Finance/HR - Indirect Administrative Support
Meridian phone switches	17,186	46,964	18,350	Adm/Finance/HR - Indirect Administrative Support
Various hardware and software upgrades for existing systems	-	140,000	140,000	SW Development- Existing Market System
Upgrades for Control Room, including new chairs for forecast office.	4,916	13,434	5,249	Adm/Finance/HR - Indirect Administrative Support
Misc. Equip. (Including printer, fax, TV/VCR for HR, & projector for OT)	3,750	10,247	4,004	Adm/Finance/HR - Indirect Administrative Support
Total 2001 Items	\$784,173	\$14,330,231	\$3,924,496	
<b>2000 Items:</b>				
Enhancements to Existing Markets System (mostly software)	-	\$2,145,000	\$2,145,000	SW Development- Existing Market System
Enhancements to EMS System (mostly software)	210,403	574,951	224,646	SW Development- Energy Management System
Cap. salaries and burden for internal software dev. (AICPA 98-1)	218,726	1,237,493	802,480	Depreciation Accruals Late Restructuring
OASIS Phase 1b and OASIS 2	400,000	-	-	NEPOOL OASIS Administration
Furniture for new employees	31,248	85,389	33,363	Adm/Finance/HR - Indirect Administrative Support
Computer desktops for new employees	31,248	85,389	33,363	Adm/Finance/HR - Indirect Administrative Support
Building/property improv. (phone processor, security upgrades, UPS switch).	40,622	111,005	43,372	Adm/Finance/HR - Indirect Administrative Support
Compaq host CPU and memory upgrades	249,983	683,110	266,907	Adm/Finance/HR - Indirect Administrative Support
Storage Area Network	83,328	227,703	88,969	Adm/Finance/HR - Indirect Administrative Support
Various hardware/software upgrades (Lawson, JAVA, MIS & del PCs, etc)	-	159,800	159,800	SW Development- Existing Market System
Upgrades for DTS Room, including new console and chairs.	11,522	26,455	7,023	Ops - Indirect Supervision/Clerical Support
CS&Training equip. (mm equip. phone sys upgrades, and phone recorders).	20,029	55,778	20,193	Indirect Supervision/Clerical Support
CMS/MSS Implementation	-	7,938,000	882,000	Multi-Settlement Implementation
Leased Office Space	93,744	256,166	100,090	Adm/Finance/HR - Indirect Administrative Support
Electronic Dispatch	-	2,450,000	1,050,000	Electronic Dispatch
Depreciation on additional spending	-	-	-	Depreciation Accruals Late Restructuring
Total 2000 Items - \$	\$1,390,853	\$16,036,240	\$5,857,207	
Total 2000 Items - %	5.97%	68.87%	25.16%	
Late Restructuring Capital Costs (2000 and 2001 Items) - \$ (LRC Capital)	\$2,175,026	\$30,366,471	\$9,781,704	
Late Restructuring Capital Costs (2000 and 2001 Items) - % (LRC Capital)	5.14%	71.75%	23.11%	

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 Vice President and Chief Financial Officer

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**ATTACHMENT B**  
**Definitions and Provisions Extracted From**  
**NEPOOL Agreement, NEPOOL Tariff and NEPOOL**  
**Market Rules and Procedures**

**Control Area:** An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (2) maintain scheduled interchange with other Control Areas, within the limits of Accepted Electric Industry Practice;
- (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Accepted Electric Industry Practice and the criteria of the applicable regional reliability council or the North American Electric Reliability Council; and
- (4) provide sufficient generating capacity to maintain operating reserves in accordance with Accepted Electric Industry Practice.

**Entity:** Any person or organization whether in the United States of America or Canada or a state or province or a political subdivision thereof or a duly established agency of any of them, a private corporation, a partnership, an individual, an electric cooperative or any other person or organization recognized in law as capable of owning property and contracting with respect thereto that is either:

- (a) engaged in the electric power business (the generation and/or transmission and/or distribution of electricity for consumption by the public or the purchase, as a principal or broker, of Installed Capability, Energy, Operating Reserve, and/or AGC for resale); or

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- (b) a consumer of electricity in the NEPOOL Control Area that generates or purchases electricity primarily for its own consumption or a non-profit group representing such consumers.

**NEPOOL Participants Committee:** The committee established pursuant to Section 7 of the NEPOOL Agreement.

**NEPOOL Transmission System:** The PTF transmission facilities.

**Participant:** A Participant is an eligible Entity (or group of Entities which has elected to be treated as a single Participant) which is a signatory to the NEPOOL Agreement and has become a Participant in accordance therewith until such time as such Entity's status as a Participant terminates in accordance therewith.

**Transmission Customer:** Any Eligible Customer that (i) is a Participant which is not required to sign a Transmission Service Agreement with respect to a service to be furnished to it in accordance with Section 48 of the NEPOOL Tariff, or (ii) executes, on its own behalf or through its Designated Agent, a Transmission Service Agreement, or (iii) requests in writing, on its own behalf or through its Designated Agent, that NEPOOL file with the Commission, a proposed unexecuted Transmission Service Agreement in order that the Eligible Customer may receive transmission service under the NEPOOL Tariff. This term is used in Part I of the NEPOOL Tariff to include customers receiving transmission service under the NEPOOL Tariff.

**Transmission Provider:** The Participants, collectively, which own PTF and are in the business of providing transmission service or provide service under a local open access transmission tariff, or in the case of a state or municipal or cooperatively-owned Participant, would be required to do so if requested pursuant to the reciprocity requirements specified in the NEPOOL Tariff, or an individual such Participant, whichever is appropriate.

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**ATTACHMENT C**  
**Form of Service Agreement**

- 1.0 This Service Agreement, dated as of \_\_\_\_\_, is entered into, by and between ISO New England Inc. \_\_\_\_\_ (the "ISO") and \_\_\_\_\_ ("Customer") pursuant to the ISO's Capital Funding Tariff (the "Tariff").
- 2.0 Service under this Service Agreement shall commence on the later of (1) the requested service commencement date or (2) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as is mutually agreed upon by the parties, except as otherwise provided under the Tariff.
- 3.0 The Customer agrees to pay the charges set forth in the Tariff.
- 4.0 Any notice or request made to or by either party regarding this Service Agreement shall be made to the representative of the other party as indicated below.

**ISO:**

[Title]  
ISO New England Inc.  
One Sullivan Road  
Holyoke, MA 01040-2841

**Customer:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 5.0 The Tariff is incorporated in this Service Agreement and made a part hereof.
- 6.0 This Service Agreement will not be pledged or assigned without the consent of the Customer.

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IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

**ISO NEW ENGLAND INC.:**

By: \_\_\_\_\_  
Name Title Date

**Customer:**

By: \_\_\_\_\_  
Name Title Date

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Issued on: March 2, 2001

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